Introduced by Assembly Member Canciamilla

February 22, 2005

An act to enact the Energy Code, and to amend Sections 11550 and 12800 of the Government Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1190, as introduced, Canciamilla. Energy: agency consolidation.

(1) The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission (Energy Commission) and requires it to certify sufficient sites and related facilities that are required to provide a supply of electricity sufficient to accommodate projected demand for power statewide. Under that act, the Energy Commission also administers existing law with respect to energy conservation and renewable electricity generation sources.

Existing law authorizes the Public Utilities Commission to regulate public utilities, including electrical and gas corporations. Under existing law, the commission is charged with issuing certificates of public convenience and necessity to every electrical and gas corporation proposing to construct or modify any electric or gas plant within the state, is authorized to determine the value of the property of every public utility in the state, to fix the just compensation to be paid by a political subdivision for public utility property acquired by eminent domain, to hold hearings concerning complaints against certain entities, including electrical and gas corporations, and to charge and collect certain fees. Under existing law, a public utility is guilty of a crime for failing to comply with provisions of the Public

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Utilities Act, the California Constitution, or an order by the commission.

Under existing law, the California Consumer Power and Conservation Financing Authority Act establishes the California Consumer Power and Conservation Financing Authority (Power Authority), with certain powers and responsibilities, including the issuance of up to \$5,000,000,000 of revenue bonds, for the purposes of augmenting electric generating facilities and ensuring a sufficient and reliable supply of electricity.

Existing law establishes the Division of Oil, Gas, and Geothermal Resources within the Department of Conservation.

This bill would enact the Energy Code and would establish the Energy Agency under the administration of the Secretary of Energy, who would be appointed by the Governor and subject to confirmation by the Senate. The agency would be responsible for the planning, development, and implementation of all major aspects of the state energy policy to ensure an adequate, reasonably priced supply of electricity and natural gas. The secretary, in consultation with the Independent System Operator (ISO), would be required to determine appropriate reserve levels needed to maintain the reliability and stability of the electrical transmission and distribution grid and the Public Utilities Commission would be required to ensure that electrical corporations meet the reserve levels determined to be appropriate by the secretary. The bill would require the Secretary of Energy to establish goals for energy conservation and resource efficiency that will achieve or exceed the conservation and efficiency goals in the Energy Action Plan jointly adopted by the Consumer Power and Conservation Financing Authority, the Energy Resources Conservation and Development Commission, and the Public Utilities Commission and to be responsible for coordination of energy conservation and resource efficiency programs and to consolidate those programs, where desirable. The bill would require the Secretary of Energy, within 90 days following confirmation, to report to the Legislature regarding liquefied natural gas, natural gas conservation measures, and other options to improve the supply and distribution of a reliable natural gas supply in California.

(2) The existing restructuring of the electrical services industry establishes the Electricity Oversight Board (Oversight Board) to oversee the ISO and the Power Exchange in order to ensure the

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success of the electrical industry restructuring and to ensure a reliable supply of electricity in the transition to a new market structure.

Existing law establishes the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy (Little Hoover Commission) to promote economy, efficiency, and improved service in the transaction of the public business in the various departments, agencies, and instrumentalities of the executive branch of the state government.

Existing law authorizes the Governor to perform executive branch reorganizations for certain purposes, except an agency whose primary purpose is service to the legislative or judicial branches or any agency that is administered by an elective officer. The reorganization plan becomes effective on the 61st day after it has been given to the Legislature unless either the Senate or the Assembly adopts, by majority vote, a resolution rejecting the plan. The Governor is required to submit for study and recommendation any reorganization plan to the Little Hoover Commission at least 30 days prior to submitting the plan to the Legislature.

This bill would require the Governor to examine and on or before May 1, 2006, submit for study and recommendation to the Little Hoover Commission, and on or before July 1, 2006, transmit to the Legislature, a plan for reorganization of the energy regulatory activities of the state. The plan of reorganization would be required to (1) establish within the Energy Agency all major policy making functions with respect to the state's energy policy; (2) eliminate the California Consumer Power and Conservation Financing Authority and transfer its authority to the Energy Agency; (3) merge the State Energy Resources Conservation and Development Commission into the Energy Agency; (4) eliminate the Electricity Oversight Board and transfer its functions for monitoring and investigating wholesale energy markets to the Energy Agency; (5) transfer to the Energy Agency all policy making functions with respect to energy matters currently performed by the Public Utilities Commission and establish review mechanisms to ensure that the regulatory activities of the Public Utilities Commission are consistent with the state's energy policy; (6) establish a single board in the Energy Agency, with responsibility for state approval for the siting of energy production, storage, and transmission facilities; (7) establish the Secretary of Energy as the sole authorized representative of the state before the Federal Energy Regulatory Commission (FERC); (8) require the ISO

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to report any filings or appearances before FERC to the secretary; (9) provide public oversight of the ISO by the Energy Agency, to the extent permitted under federal law; (10) establish a mechanism for the Public Utilities Commission to timely advise the siting board and the Secretary of Energy regarding the rate impacts of decisions; and (11) establish a mechanism for adequate public comment before final decisions are made and for review of decisions made by the Secretary of Energy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the 2 following:

- (a) California's existing energy regulatory system has resulted in significant fragmentation, duplication, overlap, and confusion in the formulation and execution of the state's energy related functions.
- (b) Having a single agency that is responsible for the state's energy policy will better ensure that the state sends a clear and consistent message to the public, the business community, the energy industry, and financial markets relative to policy objectives and the means to carry out those objectives. Consolidating energy policymaking into a single lead agency will ensure that all agencies advocate for, and carry out, one state energy policy, rather than disagreeing on elements of energy policy as they have in the past.
- (c) Having a cabinet-level gubernatorial appointee with responsibility for overseeing a single agency that is responsible for the state's energy policy will promote accountability to the Legislature and the public for policy, legal, and administrative actions.
- (d) Having a single agency that is responsible for the state's energy policy will eliminate duplication of effort and save money in research, developing policy, program design and coordination, program implementation, consumer protection, and compliance with environmental objectives and protections. Consolidation will reduce the number of high-level officials responsible for policy, legal, communications, and administrative issues.

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(e) Having a cabinet-level gubernatorial appointee with responsibility for overseeing a single agency that is responsible for the state's energy policy will allow for more timely and comprehensive responses to shortages, emergencies, and enforcement issues, because of decreased potential for conflicts between agencies.

- (f) Having a single agency responsible for the siting of generation, transmission, and natural gas infrastructure will increase the efficiency and effectiveness of the siting process, thereby helping to ensure Californians will receive a reliable supply of energy at a reasonable cost.
- (g) It is the intent of the Legislature to enact an Energy Code, under the governance of the Energy Agency.
- (h) It is the further intent of the Legislature that the Energy Agency be responsible for the development of the state's energy policy and for strategic planning on how to implement the state's energy policy. The Legislature endorses the goals and actions of the Energy Action Plan jointly adopted by the Consumer Power and Conservation Financing Authority, the Energy Resources Conservation and Development Commission, and the Public Utilities Commission, subject to change and refinement over time in order to adapt to changing conditions and legislative direction.
- (i) It is the further intent of the Legislature that the Public Utilities Commission carry out its regulatory powers and jurisdiction over public utilities in a manner that is consistent with the state's energy policy, as developed and refined by the Energy Agency. The Energy Agency will set policy and the Public Utilities Commission will implement it in the regulatory arena.
- (j) It is the further intent of the Legislature that the Joint Legislative Audit Committee, Senate Energy, Utilities and Communications Committee, and Assembly Utilities and Commerce Committees hold regular oversight hearings on agency activities, including agency expenditures and policy planning.
- SEC. 2. (a) The Governor shall examine and on or before May 1, 2006, submit for study and recommendation to the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy established pursuant to Chapter 6 (commencing with Section 8501) of Division 1 of Title

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2 of the Government Code, a plan for reorganization of the
energy regulatory activities of the state, pursuant to Article 7.5
(commencing with Section 12080) of Chapter 1 of Part 2 of
Division 3 of Title 2 of the Government Code.

- (b) The Governor shall on or before July 1, 2006, transmit to the Legislature, a plan for reorganization of the energy regulatory activities of the state pursuant to Article 7.5 (commencing with Section 12080) of Chapter 1 of Part 2 of Division 3 of Title 2 of the Government Code.
- (c) The Governor's plan of reorganization shall include all of the following provisions:
- (1) Establish within the Energy Agency all major policy making functions with respect to the state's energy policy.
- (2) Eliminate the California Consumer Power and Conservation Financing Authority and transfer its authority to the Energy Agency.
- (3) Merge the State Energy Resources Conservation and Development Commission into the Energy Agency.
- (4) Eliminate the Electricity Oversight Board and transfer its functions for monitoring and investigating wholesale energy markets to the Energy Agency.
- (5) Transfer to the Energy Agency all policy making functions with respect to energy matters currently performed by the Public Utilities Commission and establish review mechanisms to ensure that the regulatory activities of the Public Utilities Commission are consistent with the state's energy policy. The Secretary of Energy shall have standing to appeal a decision of the Public Utilities Commission on the grounds that the decision is inconsistent with the state's energy policy.
- (6) Establish a single board in the Energy Agency, with responsibility for state approval for the siting of energy production, storage, and transmission facilities, including electric plants and gas plants, that will coordinate with agencies with environmental protection responsibilities. In making energy facility siting decisions, the board shall consider energy conservation and resource efficiency options and alternatives. The decisions of the board on any application for certification of a site and related facility are subject to judicial review by the Supreme Court of California.

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(7) Establish the Secretary of Energy, or the designee of the secretary, as the sole authorized representative of the state before the Federal Energy Regulatory Commission.

- (8) Require the Independent System Operator to report any filings or appearances before the Federal Energy Regulatory Commission to the Secretary of Energy.
- (9) Provide for public oversight of the Independent System Operator by the Energy Agency, to the extent permitted under federal law.
- (10) Establish a mechanism for the Public Utilities Commission to timely advise the board responsible for siting energy facilities and the Secretary of Energy, regarding the rate impacts of decisions made by the board and the secretary, to avoid unexpected adverse rate impacts.
- (11) Establish a mechanism for adequate solicitation and consideration of public comments before final decisions are rendered and for the review of final decisions made by the Secretary of Energy, that will protect the public from arbitrary or capricious decisions, ensure that decision are reasonable and supported by fact, while ensuring that decisions are implemented in a timely and responsive manner.
- SEC. 3. The Department of Finance may direct the transfer of unexpended and unencumbered balances of appropriations and other funds available for use in connection with any function affected by the reorganization prescribed by the act adding this section that the Director of Finance determines to be necessary to facilitate the reorganization, for use in connection with the functions affected by the reorganization, provided that any unexpended and unencumbered balances of appropriations and other funds so transferred shall be expended, as to appropriations, only for purposes that were authorized by the appropriation and, as to other available funds, only for purposes authorized as of the effective date of the act adding this section.
 - SEC. 4. The Energy Code is enacted, to read:

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1	TITLE
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3	DIVISION 1. PRELIMINARY PROVISIONS
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5	CHAPTER 1. GENERAL PROVISIONS
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- 1. This code is known as the Energy Code.
- 2. Division, chapter, article, and section headings do not affect the scope, meaning, or intent of this code.
- 3. Unless the provision or context otherwise requires, the general provisions and rules of construction in this division govern the construction of this code.
- 4. If a reference is made to a portion of this code or to another law, the reference applies to all amendments and additions regardless of the time made.
 - 5. Unless otherwise expressly stated:
 - (a) "Division" means a division of this code.
- (b) "Part" means a part of the division in which that term occurs.
- (c) "Chapter" means a chapter of the division or part, as the case may be, in which that term occurs.
- (d) "Article" means an article of the chapter in which that term occurs.
- (e) "Section" means a section of this code unless some other statute or code is specifically mentioned.
- (f) "Subdivision" means a subdivision of the section in which that term occurs unless some other section is expressly mentioned.
- (g) "Paragraph" means a paragraph of the subdivision in which that term occurs.
- (h) "Subparagraph" means a subparagraph of the paragraph in which that term occurs.
- 6. The present tense includes the past and future tenses, and the future, the present.
 - 7. The masculine gender includes the feminine and the neuter.
- 8. The singular number includes the plural, and the plural, the
- 9. "Shall" is mandatory and "may" is permissive. "Shall not" and "may not" are prohibitory.
 - 10. "Oath" includes affirmation.

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11. "Signature" or "subscription" includes a mark when the signer or subscriber cannot write, such signer's or subscriber's name being written near the mark by a witness who writes his own name near the signer's or subscriber's name; but a signature or subscription by mark can be acknowledged or can serve as a signature or subscription to a sworn statement only when two witnesses so sign their own names thereto.

- 12. "State" means the State of California, unless applied to the different parts of the United States. In the latter case, it includes the District of Columbia and the territories.
 - 13. "County" includes city and county.

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- 14. "City" includes city and county and "incorporated town," but does not include "unincorporated town" or "village."
- 15. If a provision or clause of this code or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the code that can be given effect without the invalid provision or application, and to this end, the provisions of this code are severable.
- 16. No action or proceeding commenced before this code takes effect, and no right accrued, is affected by this code, but all procedure thereafter taken therein shall conform to this code in so far as possible.
- 17. Whenever a power is granted to, or a duty is imposed upon, a public officer, including the Secretary of Energy, the power may be exercised or the duty may be performed by a deputy of the officer or by a person authorized, pursuant to law, by the officer, unless this code expressly provides otherwise.
- 18. Writing includes any form of recorded message capable of comprehension by ordinary visual means. Whenever any notice, report, statement, petition, or record is required or authorized by this code, it shall be made in writing in the English language unless it is expressly provided otherwise. Wherever any notice or other communication is required by this code to be mailed by registered mail by or to any person or corporation, the mailing of such notice or other communication by certified mail shall be deemed to be a sufficient compliance with the requirements of law.
- 19. Whenever reference is made to any portion of this code or of any other law of this state, the reference applies to all amendments and additions heretofore or hereafter made.

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CHAPTER 2. DEFINITIONS

- 100. The following terms have the following meanings and shall govern the construction of this code, unless the provision or the context otherwise requires.
 - 101. "Agency" means the Energy Agency.
- 102. "Corporation" includes a corporation, a company, an association, and a joint stock association.
- 103. "Person" includes an individual, a firm, and a copartnership.
 - 104. "Secretary" means the Secretary of Energy.
- 105. As used in this code "person" and "corporation" include the lessees, trustees, receivers or trustees appointed by any court whatsoever, of the person or corporation.
- 106. "Public or any portion thereof" means the public generally, or any limited portion of the public, including a person, private corporation, municipality, or other political subdivision of the state, for which the service is performed or to which the commodity is delivered.

DIVISION 2. ENERGY AGENCY

CHAPTER 1. ADMINISTRATION

- 200. The Energy Agency is hereby established.
- 201. (a) The agency is administered by the Secretary of Energy.
- (b) The secretary is appointed by the Governor and subject to confirmation by the Senate.
- 202. (a) The secretary shall direct the departments and staff of the agency, in the performance of their duties, in accordance with statutes and agency policies and guidelines. The secretary shall be responsible for the agency's executive and administrative duties and shall organize, coordinate, supervise, and direct the operations and affairs of the agency and expedite all matters within the agency's jurisdiction.
- (b) The secretary shall keep a full and true record of all proceedings of the agency, issue all necessary process and notices, and perform such other duties as are necessary to carry out the duties of the agency.

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(c) The secretary may appoint assistant executives who may serve process on behalf of the secretary in any county or city and county of this state.

- 203. The secretary may employ any officers, administrative law judges, experts, engineers, statisticians, accountants, inspectors, clerks, and employees as the secretary deems necessary to carry out or to perform the duties and exercise the powers conferred upon the agency by law. All officers and employees shall receive compensation as is established by the secretary.
- 204. (a) The agency shall adopt procedures on the disqualification of administrative law judges due to bias or prejudice similar to those of other state agencies and superior courts.
- (b) The agency shall develop the procedures with the opportunity for public review and comment.
 - 205. The agency may do any of the following:
- (a) Apply for and accept grants and contributions, and expend appropriations.
- (b) Contract for professional work or services if work or services cannot be satisfactorily performed by its employees or by any other state agency.
 - (c) Be sued and sue.

- (d) Request and utilize the advice and services of all federal, state, regional, and local agencies.
- (e) Adopt any rule or regulation, or take any action, that the secretary determines to be reasonable and necessary to carry out this code. The agency shall adopt rules and regulations, as necessary, to carry out this code in conformity with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
- (f) Do any and all things necessary to carry out the purposes of this chapter.
- 206. The provisions of this division specifying any power or duty of the agency shall be liberally construed, to carry out the objectives of this code.
- 207. As to any matter involving the federal government, its departments or agencies, that is within the scope of the powers and duties of the agency, the secretary may represent its interest or the interest of any county, city, state agency, or district upon

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its request, and to that end may correspond, confer, and cooperate with the federal government, and its departments or agencies.

208. The secretary may participate as a party in any proceeding that is relevant to the secretary's duties.

CHAPTER 2. OFFICES AND MEETINGS

- 250. (a) The agency shall maintain its headquarters in the County of Sacramento and may establish branch offices in those parts of the state that the agency determines to be necessary.
- (b) The meetings of the agency shall be open and public in accordance with Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code.
- (c) The agency shall have a seal, bearing the inscription "Energy Agency". The seal shall be affixed to all writs and authentications of copies of records and to such other instruments as the director shall direct.
- (d) The agency may procure all necessary books, maps, charts, stationery, instruments, office furniture, apparatus, and appliances.

CHAPTER 3. RECORDS

260. The agency shall make available any information filed or submitted pursuant to this code under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except that the agency shall keep confidential any information that is required to be kept confidential by federal statute, rule, or order, or that is nonpublic pursuant to another provision of state law. The secretary shall prepare and submit annually a report to the Legislature summarizing information withheld from the public pursuant to this section.

CHAPTER 4. LEGAL AFFAIRS

300. The Legal Affairs Department is established in the Energy Agency, administered by the agency counsel, with responsibility for facility compliance, permit condition

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compliance, enforcement of all regulatory responsibilities of the agency, and representation of the state's proprietary interests and the interests of ratepayers.

- 301. (a) The secretary may appoint as agency counsel, an attorney at law of this state, who shall hold office during the pleasure of the secretary.
- (b) The attorney shall represent and appear for the people of the State of California and the agency in all actions and proceedings involving any question under this code or under any order or act of the agency. If directed to do so by the secretary, the attorney shall intervene, if possible, in any action or proceeding in which any such question is involved.
- (c) The attorney shall commence, prosecute, and expedite the final determination of all actions and proceedings directed or authorized by the secretary, advise the secretary, when so requested, in regard to all matters in connection with the powers and duties of the agency and the members thereof, and generally perform all duties and services as attorney to the agency that the secretary may require of him or her.

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DIVISION 3. ENERGY POLICY AND PLANNING

- 1000. (a) The agency shall be responsible for the planning, development, and implementation of all major aspects of the state energy policy. The state energy policy will ensure an adequate, reasonably priced supply of electricity and natural gas.
- (b) When agencies, departments, and commissions retain powers and authority with respect to energy programs, those agencies, departments, and commissions shall coordinate their activities with the agency and not act in a manner that defeats the state energy policy.
- 1001. The secretary, in consultation with the Independent System Operator, shall determine appropriate reserve levels needed to maintain the reliability and stability of the electrical transmission and distribution grid. The Public Utilities Commission shall ensure that electrical corporations meet the reserve levels determined to be appropriate by the secretary.
- 1002. (a) The secretary shall establish goals for energy conservation and resource efficiency that will achieve or exceed the conservation and efficiency goals in the Energy Action Plan

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jointly adopted by the Consumer Power and Conservation Financing Authority, the Energy Resources Conservation and Development Commission, and the Public Utilities Commission.

(b) The secretary shall be responsible for coordinating energy conservation and resource efficiency programs and for consolidating those programs where desirable.

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DIVISION 4. REPORTING

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- 4000. The secretary shall, within 90 days following the date of confirmation, prepare and submit a report to the Legislature regarding liquefied natural gas, natural gas conservation measures, and other options to improve the supply and distribution of a reliable natural gas supply in California. The report shall include policy recommendations.
- SEC. 5. Section 11550 of the Government Code is amended to read:
- 11550. Effective January 1, 1988, an annual salary of ninety-one thousand fifty-four dollars (\$91,054) shall be paid to each of the following:
 - (a) Director of Finance.
 - (b) Secretary of Business, Transportation and Housing.
- (c) Secretary of Resources.
- 24 (d) Secretary of Health and Human Services.
 - (e) Secretary of State and Consumer Services.
- 26 (f) Commissioner of the California Highway Patrol.
- 27 (g) Secretary of the Youth and Adult Correctional Agency.
- 28 (h) Secretary of Food and Agriculture.
- 29 (i) Secretary of Technology, Trade, and Commerce.
 - (j) Secretary of Veterans Affairs.
- 31 (k) Secretary of Labor and Workforce Development.
 - (l) Secretary of Energy.
 - The annual compensation provided by this section shall be increased in any fiscal year in which a general salary increase is provided for state employees. The amount of the increase provided by this section shall be comparable to, but shall not exceed, the percentage of the general salary increases provided for state employees during that fiscal year.
- 39 SEC. 6. Section 12800 of the Government Code is amended 40 to read:

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12800. There are in the state government the following agencies: State and Consumer Services; Business, Transportation and Housing; California Environmental Protection; California Health and Human Services; *Energy;* Labor and Workforce Development; Resources; *Technology, Trade, and Commerce;* and Youth and Adult Correctional.

Whenever the term "Agriculture and Services Agency" appears in any law, it means the "State and Consumer Services Agency," and whenever the term "Secretary of Agriculture and Services Agency" appears in any law, it means the "Secretary of State and Consumer Services."

Whenever the term "Business and Transportation Agency" appears in any law, it means the "Business, Transportation and Housing Agency," and whenever the term "Secretary of the Business and Transportation Agency" appears in any law, it means the "Secretary of Business, Transportation and Housing."

Whenever the term "Health and Welfare Agency" appears in any law, it means the "California Health and Human Services Agency," and whenever the term "Secretary of the Health and Welfare Agency" appears in any law, it means the "Secretary of

21 California Health and Human Services."